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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION
OF BUDGET PREPAY, INC. DBA BUDGET
PHONE, INC. FOR DESIGNATION AS A
NON-RURAL WIRELESS ELIGIBLE
TELECOMMUNICATIONS CARRIER.

DOCKET NO. T-04079A-11-0362

DECISION NO. 73627ORDER

Open Meeting
November 7 and 8, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On September 29, 2011, Budget Prepay, Inc. dba Budget Phone, Inc. ("Budget") filed an Application requesting designation as an Eligible Telecommunications Carrier ("ETC") pursuant to section 214(e)(2) of the Communications Act of 1934 (the "Act") and the rules of the Federal Communications Commission ("FCC"), including 47 C.F.R. §§ 54.201 through 54.207. In its Application, Budget requests that the Arizona Corporation Commission ("ACC" or "Commission") designate it as a wireless ETC in certain wire centers served by Qwest Corporation dba CenturyLink QC ("CenturyLink") for the purpose of receiving federal Universal Service Fund

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1 (“FUSF”) support for low-income customers only (i.e., Lifeline¹). Budget is not requesting high
2 cost support.

3 2. On March 9, 2012, the Arizona Local Exchange Carriers Association (“ALECA”)
4 filed a motion to intervene.

5 3. On March 30, 2012, a Procedural Order granted ALECA’s request for intervention
6 in this proceeding.

7 4. On April 2, 2012, Budget filed an amended application.

8 5. On May 10, 2012, a Stipulation between ALECA and Budget was filed in the
9 docket.

10 6. On May 25, 2012, the FCC approved Budget’s Revised Compliance Plan (“RCP”)
11 and waived the company owned-facilities requirement. On June 7, 2012, Budget filed a copy of
12 the RCP in the docket.

13 **BACKGROUND**

14 7. Budget is a Louisiana corporation with its principal offices located at 1325
15 Barksdale Boulevard, Bossier City, Louisiana 71111. Although Budget is certificated to provide
16 resold long distance² and resold local exchange³ services in Arizona, these services will not be
17 utilized in the provision of Budget’s Lifeline services. Instead, Budget proposes to provide

18 wireless Lifeline services through the resale of Commercial Mobile Radio Service (“CMRS”)
19 provided by other wireless carriers. Budget currently serves over 355,000 wireless customers⁴ and
20 has been granted ETC designation to provide wireless Lifeline services in seven (7) jurisdictions⁵.
21 Budget also serves over 25,000 wireline customers and has been granted ETC designation to

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25 ¹ Federal Lifeline Assistance provides discounts on basic monthly service at the primary residence for qualified
26 telephone subscribers. The federal support amount provided to the ETC is \$9.25.

27 ² Decision No. 65759, issued March 20, 2003.

28 ³ Decision No. 65415, issued November 20, 2002

⁴ Amended Application, Exhibit A, Page 2 of Budget’s Initial Compliance Plan filed with the FCC March 1, 2012.

⁵ From RPC, Page 2: Arkansas, Kentucky, Louisiana, Maryland, Nevada, Rhode Island and Wisconsin.

1 provide wireline Lifeline services in fifteen (15) jurisdictions.⁶ Budget currently has applications
2 pending to provide wireless Lifeline services in twenty-four (24) jurisdictions⁷ excluding Arizona.
3 Initially, Budget will provide wireless service through a “virtual network” consisting of services
4 obtained from licensed wireless network operator Verizon Wireless (“Verizon”).⁸ Budget is
5 seeking ETC designation in the current coverage area within the CenturyLink rate centers
6 specified in Exhibit 3⁹ of its Application.

7 8. On February 6, 2012, the FCC released an Order in FCC 12-11, *Lifeline and Link*
8 *Up Reform and Modernization* (“*Lifeline Reform Order*”)¹⁰, in which the FCC adopted
9 comprehensive reforms to the low-income program to revise and modernize the Lifeline service
10 requirements and implement measures to address fraud, waste and abuse of the FUSF. Within that
11 Order, the FCC found that a grant of blanket forbearance of the requirement that an ETC use its
12 own facilities (“the facilities requirement”) subject to certain public safety and compliance
13 obligations, was appropriate for carriers seeking to provide Lifeline-only service.¹¹ Specifically, in
14 the *Lifeline Reform Order*, the FCC states it will conditionally grant forbearance from the Act’s
15 Section 214(e)(1)(A) facilities requirement to all telecommunications carriers seeking Lifeline-
16 only ETC designation, subject to the following conditions: (1) compliance with certain 911 and
17 enhanced 911 (E911) public safety requirements; and (2) FCC Wireline Competition Bureau
18 approval of a compliance plan providing specific information regarding the carrier and its service
19 offerings and outlining the measures the carrier will take to implement the obligations contained in
20 the *Order*.¹²

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22 ⁶ From RPC, Page 2: Alabama, Arkansas, Florida, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri,
Nebraska, North Carolina, Oklahoma, South Carolina, Tennessee and Texas.

23 ⁷ Response to Staff Data Request STF 1.10: Georgia, Iowa, Kansas, Massachusetts, Michigan, Minnesota, Mississippi,
24 Missouri, New Jersey, Oklahoma, Pennsylvania, South Carolina, Washington, West Virginia and Federal ETC
designation for Alabama, Connecticut, Delaware, Florida, New Hampshire, New York, North Carolina, Tennessee, the
Commonwealth of Virginia and the District of Columbia.

25 ⁸ Response to Staff Data Request STF 1.2 and STF 1.19.

26 ⁹ See Application, filed September 29, 2011.

27 ¹⁰ *In the Matter of Lifeline and Link Up Reform and Modernization, Report and Order and Further Notice of*
Proposed Rulemaking, WC Docket No. 11-42, FCC 12-11, released February 6, 2012 (“*Lifeline Reform Order*”).

28 ¹¹ *Ibid.*, at paras. 368-381.

¹² See *id.* at paras. 373 and 389. Subsequently, the Bureau provided guidance for carriers submitting compliance plans
pursuant to the *Lifeline Reform Order*. *Wireline Competition Bureau Provides Guidance for the Submission of*

9. On March 1, 2012, Budget submitted its initial Compliance Plan to the FCC in order to benefit from the "blanket forbearance" of the own-facilities requirement used to provide Lifeline services. Budget submitted its Revised Compliance Plan ("RCP") on May 1, 2012, making changes as the result of discussions with FCC Staff. On May 25, 2012, in DA 12-828, the FCC issued a Public Notice¹³ approving Budget's May 1, 2012 Revised Compliance Plan.

REQUIREMENTS FOR DESIGNATION AS AN ETC AND BUDGET'S COMPLIANCE WITH THE REQUIREMENTS

10. Designation as an ETC makes a carrier eligible to receive federal universal service funds. The requirements for designation of ETCs are specified by federal law in 47 U.S.C. § 214(e)(1), which states:

"A common carrier designated as an eligible telecommunications carrier under paragraph (2) or (3) shall be eligible to receive universal service support in accordance with section 254 and shall throughout the service area for which the designation is received: (A) offer the services that are supported by Federal universal service support mechanisms under section 254(c), either using its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another eligible telecommunications carrier); and (B) advertise the availability of such services and the corresponding charges using media of general distribution."

11. In order to be designated as an ETC, a carrier must offer Lifeline service to all qualifying low-income customers within its service area.¹⁴ Lifeline service provides basic telephone service, typically by passing on discounts to monthly telecommunications charges. As a wireless reseller of prepaid wireless service, Budget is proposing to offer qualified customers a free handset and the choice of 250 free minutes in a prepaid calling plan or a 4,000 voice minutes

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Compliance Plans Pursuant to the Lifeline Reform Order, WC Docket Nos. 09-197 and 11-42, Public Notice, 27 FCC Rcd 2186 (Wireline Comp. Bur. 2012).

¹³ See "Wireline Competition Bureau Approves the Compliance Plans of American Broadband & Telecommunications, Budget Prepay, Consumer Cellular, Global Connection, Budget and Total Recall", Public Notice from FCC Wireline Competition Bureau, WC Docket Nos. 09-197 and 11-42 (rel. May 25, 2012).

¹⁴ 47 C.F.R. §§ 54.405 and 54.411(a)

1 and text calling plan, with each text message counting as one minute of voice service, for \$ 25.00
2 per month.¹⁵

3 12. As indicated above, the FCC granted Budget forbearance from the facilities
4 requirement that it provide service using its own facilities or a combination of its own facilities and
5 resale of another carrier's service and also any criteria related to facilities build out plans. Budget
6 would be a Lifeline-only ETC, eligible only for Lifeline support and must meet all the other
7 criteria required of ETCs.

8 **A. OFFERING THE SERVICES DESIGNATED FOR SUPPORT**

9 13. On December 23, 2011, the FCC adopted and released an Order on Reconsideration
10 in which the FCC modified, on its own motion, the definition of "voice telephony", as adopted in
11 the *USF/ICC Transformation Order*.¹⁶ In that Order, the FCC reduced its former list of nine
12 supported services to four supported services and amended 47 C.F.R. § 54.101 to specify the
13 "voice telephony services" supported by federal universal service support mechanisms.¹⁷

14 14. 47 C.F.R. § 54.101, sets forth the services that a carrier must offer in order to
15 receive Federal universal service fund support. The services and Budget's response to the
16 provision of each service are as follows:

17 (a) Voice grade access to the Public Switched Network. "Voice grade access to the
18 Public Switched Network" is defined as a functionality that enables a user of
19 telecommunications services to transmit voice communications, including signaling the
20 network that the caller wishes to place a call, and receive voice communications,
21 including receiving a signal indicating there is an incoming call. For purposes of this
22 Part, bandwidth for voice grade access should be, at a minimum, 300 to 3,000 Hertz.
23 Budget states¹⁸ it will provide voice grade access to the public switched telephone
24 network by enabling its customers to make and receive calls on the public switched
25 telephone network.

24 ¹⁵ See Amended Application, Exhibit 3.

25 ¹⁶ See *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and*
26 *Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified*
27 *Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal*
28 *Service Reform-Mobility Fund*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket
No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Order on
Reconsideration, FCC 11-189 (rel. Dec. 23, 2011) (*USF/ICC Transformation Order on Reconsideration*) at para. 3.

¹⁷ *Id.* at para. 78; see also *id.* App. A at 536 (revising section 54.101(a) of the Commission's rules); see 76 FR 73830,
73870 (Nov. 29, 2011) (revising 47 C.F.R. § 54.101(a) with an effective date of December 29, 2011).

¹⁸ Amended Application, Page 3.

(b) Local usage. "Local usage" means minutes of use for local exchange service, prescribed by the Federal Communications Commission, provided free of charge to end users. Budget states¹⁹ it will provide Lifeline customers with minutes of use for local service at no additional charge to customers.

(c) Access to emergency services. "Access to emergency services" includes access to services, such as 911 and enhanced 911, provided by local governments or other public safety organizations. 911 is defined as a service that permits a telecommunications user, by dialing the three-digit code "911", to call emergency services through a Public Safety Access Point ("PSAP") operated by the local government. "Enhanced 911" is defined as 911 service that includes the ability to provide automatic numbering information ("ANI"), which enables the PSAP to call back if the call is disconnected, and automatic location identification ("ALI"), which permits emergency service providers to identify the geographic location of the calling party. "Access to emergency services" includes access to 911 and enhanced 911 services to the extent the local government in an eligible carrier's service area has implemented 911 or enhanced 911 systems. Budget states²⁰ all its customers will have access to emergency calling services at the time Lifeline service is initiated, and such 911 and E911 access will be available from Budget's handsets even if the account associated with the handset has no minutes remaining.

(d) Toll Limitation for Qualifying Low-Income Consumers. "Toll limitation denotes either toll blocking or toll control for eligible telecommunications carriers that are incapable of providing both services. For eligible telecommunications carriers that are capable of providing both services, 'toll limitation' denotes toll blocking and toll control."²¹ In the *Lifeline Reform Order* the FCC relieved ETCs of the obligation to offer toll limitation services if their Lifeline offering does not distinguish in the pricing of toll and non-toll calls.²² Budget's wireless calling plans do not distinguish between non-toll (i.e., local) and toll. Budget's prepaid plans include a specific number of minutes that cannot be exceeded. Therefore, customers cannot incur any charges for excessive toll calling or be disconnected for non-payment.

15. In its application, Budget states it has the ability to provide all the supported services and functionalities required in the proposed ETC designated service area to all subscribers taking service under its Lifeline plan through arrangements with its underlying carrier. Based on the above information and explanations, Staff believes that Budget meets this ETC designation criteria.

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¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ 47 C.F.R. § 54.400(d).

²² *Lifeline Reform Order*, ¶238.

B. ADVERTISING OF SUPPORTED SERVICES

16. 47 U.S.C. § 214(e)(1)(B) requires a common carrier designated as an eligible telecommunications carrier to advertise the availability of such services and the corresponding charges using media of general distribution. Budget states it will advertise the availability of its supported services and the corresponding rates and charges in a manner designed to inform the general public.²³ Budget's advertising will occur through a combination of media channels, such as point of sale materials, brochures, banners, onsite merchandising, direct mail, television and radio, newspaper, magazine and other printed advertisements, outdoor advertising and the Internet. Advertisements will be both English and Spanish. Budget submitted examples of prior relevant advertisements to Staff. In addition, Budget submitted an example of its advertisement in its RCP to the FCC.²⁴

17. Based on the information above and Budget's advertising materials provided to Staff, Staff concludes that Budget will advertise the availability of its supported services and the corresponding charges using media of general distribution as required by 47 U.S.C. § 214(e)(1)(B). Staff believes that Budget meets this ETC designation criteria.

C. ADDITIONAL ETC REQUIREMENTS

18. In addition to the requirements listed above, the FCC adopted, in the Lifeline Reform Order, comprehensive reforms to the low-income program to revise and modernize the Lifeline service requirements and implement measures to address fraud, waste, and abuse within the system. Below are the additional requirements and Budget's response to each requirement..

C.1 A Commitment and Ability to Provide Supported Services

19. In 47 C.F.R. § 54.202(a)(1)(i) and (ii), the FCC required the applicant to:

- (i) Certify that it will comply with the service requirements applicable to the support that it receives; and
- (ii) Submit a five-year plan that describes with specificity proposed improvements or upgrades to the applicant's network throughout its proposed service area. Each

²³ Response to Staff Data Request STF 1.51.

²⁴ See Exhibit 3 of the RCP.

applicant shall estimate the area and population that will be served as a result of the improvements. Except, a common carrier seeking designation as an eligible telecommunications carrier in order to provide supported services only under subpart E of this part does not need to submit such a five-year plan.²⁵

20. Budget states²⁶ it will provide Lifeline service to qualifying customers requesting Lifeline services throughout its requested designated services area, pursuant to the universal service program and in accordance with 47 C.F.R. § 54.202(a)(1). Budget states²⁷ it will provide service to requesting qualifying customers on a timely basis or within a reasonable period of time in accordance with the rule. The requirement directing submissions of a formal network improvement plan under 47 C.F.R. § 54.202(a)(1)(ii) demonstrating how universal service funds will be used to improve coverage, signal strength, or capacity that would not otherwise occur absent the receipt of high-cost support, does not apply to this application because the FCC waived the facilities-based requirements for Budget.

21. Based on the above information, Staff believes that Budget meets this ETC designation criteria.

C.2 Remain Functional in Emergency Situations

22. In 47 C.F.R. § 54.202(a)(2), the FCC outlines the requirement that an ETC applicant demonstrate its ability to remain functional in emergency situations. Specifically, “an applicant must demonstrate that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations.”²⁸

23. To demonstrate its ability to remain functional in emergency situations, Budget states²⁹ that it provides service in Arizona by reselling services of its underlying wireless carrier, specifically Verizon Wireless in Arizona and that Verizon Wireless, as a Tier 1 carrier, has the

²⁵ *Lifeline Reform Order*, ¶ 386.

²⁶ Response to Staff Data Request STF 1.71(a).

²⁷ Response to Staff Data Request STF 1.71(b).

²⁸ *Ibid.*, ¶ 25.

²⁹ Response to Staff Data Request STF 1.72.

1 required capabilities in place. While Verizon provides network reliability and functionality in
2 emergency situations, Budget's switches also provide the same as they are located in two
3 geographically separate locations that are capable of remaining fully functional with both
4 generator and battery backup, diverse routing options used to reroute traffic around damaged
5 facilities, and capable of managing traffic spikes resulting from emergency situations. Therefore,
6 through its underlying carrier(s), Budget states it has the ability to remain functional in emergency
7 situations.

8 24. Based on the above information, Staff concludes that Budget has demonstrated its
9 ability to remain functional in emergency situations by maintaining a reasonable amount of back-
10 up power. Staff believes that Budget meets this ETC designation criteria.

11 **C.3 Satisfy Consumer Protection and Service Quality Standards**

12 25. In 47 C.F.R. § 54.202(a)(3), the FCC requires an ETC applicant to demonstrate its
13 commitment to meeting consumer protection and service quality standards in its application...³⁰
14 The sufficiency of other commitments will be considered on a case-by-case basis.

15 26. To demonstrate its ability to satisfy consumer protection and service quality
16 standards, Budget states³¹ that it will satisfy all applicable state and federal requirements related to
17 consumer protection and quality standards. To demonstrate its commitment to high service
18 quality, Budget states it will comply with both the protection of Customer Proprietary Network
19 Information ("CPNI") as required by federal law and with the with CTIA – Wireless Association®
20 Consumer Code Consumer Code for Wireless Service as required by 47 C.F.R. § 54.202(a)(3).
21 Budget affirms its commitment to satisfy applicable consumer protection and service quality
22 standards if certified as an ETC.

23 27. Based on the above information, Staff believes that Budget meets this ETC
24 designation criteria.

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26 _____
27 ³⁰ *Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. March*
28 *17, 2005), ¶ 28.*

³¹ Application, Pages 11-12.

C.4 Lifeline-Only ETC Applicants – Financial and Technical Capability

28. In 47 C.F.R. § 54.202(a)(4), the FCC requires a Lifeline-only ETC applicant to demonstrate that it is financially and technically capable of providing the Lifeline service in compliance with subpart E of this part. In the *Lifeline Reform Order*³² the FCC provides guidance on specific information to be considered when determining if an applicant meets this requirement:

“...Among the relevant considerations for such a showing would be whether the applicant previously offered services to non-Lifeline customers, how long its has been in business, whether the applicant intends to rely exclusively on USF distributions to operate, whether the applicant receives or will receive revenue from other sources, and whether it has been subject to enforcement action or ETC revocation proceedings in any state.”

29. To demonstrate that Budget is financially and technically capable of providing Lifeline service, Budget states³³ it has been providing telecommunications services since May 1, 1996 (sixteen years) and currently derives the majority of its revenue from selling low-cost prepaid telephone services on a nationwide basis to over tens of thousands of customers and employs approximately 340 people. As noted on page 1 above, Budget currently has ETC designation to provide wireless Lifeline services in seven (7) jurisdictions and wireline Lifeline services in fifteen (15) jurisdictions. Budget states it will not need to rely exclusively on USF support to provide wireless Lifeline services. Further, it has not been subject to any enforcement action at the FCC or in any state and that no ETC designations held by Budget have been rescinded, revoked or terminated by the FCC or by any state.

30. Having reviewed Budget’s financial statements and based on the above information, Staff believes that Budget meets this ETC designation criteria.

C.5 Lifeline-Only ETC Applicants – Terms and Conditions of Lifeline Service Plans

31. In 47 C.F.R. § 54.202(a)(5), the FCC requires an ETC applicant to submit information describing the terms and conditions of any voice telephony service plans offered to

³² See *Lifeline Reform Order*, ¶388.

³³ See Budget’s RCP, Page 2.

1 Lifeline subscribers, including details on the number of minutes provided as part of the plan,
2 additional charges, if any, for toll calls, and rates for each such plan. To the extent the ETC offers
3 plans to Lifeline subscribers that are generally available to the public, it may provide summary
4 information regarding such plans, such as a link to a public Web site outlining the terms and
5 conditions of such plans.

6 32. Budget provided Staff with its informational tariff³⁴ in which it describes the calling
7 plans for Lifeline subscribers, including the number of free minutes in each calling plan, along
8 with the terms and conditions of Lifeline service as provided by Budget. Based on the information
9 contained in Budget's informational tariff, Staff believes that Budget meets this ETC designation
10 criteria.

11 **D. STEPS TO LIMIT FRAUD, WASTE AND ABUSE OF THE FUSF**

12 33. In the *Lifeline Reform Order* the FCC adopted various new measures and revised or
13 eliminated other existing measures in order to limit fraud, waste and abuse of the Federal
14 Universal Service Fund ("FUSF"). These measures include establishing uniform eligibility criteria
15 to qualify for Lifeline services, clarifying the restriction of one Lifeline telephone allowed per
16 household, initial certification and annual re-certification of consumer eligibility, establishing a
17 national lifeline accountability database to ensure and enforce the one-per-household requirement,
18 total elimination of toll limitation support for wireless carriers and a tapered elimination of toll
19 limitation support for landline ETCs, elimination of the Link Up subsidy except on federally-
20 recognized tribal lands and establishing additional provisions for USAC audits.

21 34. In its RCP, Budget outlines the steps it will take to limit fraud, waste and abuse of
22 the FUSF and to comply with all applicable Lifeline requirements and implement measures to
23 prevent fraud, waste, and abuse.

24 **E. PUBLIC INTEREST DETERMINATION**

25 35. Under Section 214 of the Act, the FCC and state commissions must determine that
26 an ETC designation is consistent with the public interest, convenience and necessity for rural
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28 ³⁴ Response to Staff Data Request STF 1.54.

1 areas. They also must consider whether an ETC designation serves the public interest consistent
2 with Section 254 of the Act. Congress did not establish specific criteria to be applied under the
3 public interest tests in Sections 214 or 254. The public interest benefits of a particular ETC
4 designation must be analyzed in a manner that is consistent with the purposes of the Act itself,
5 including the fundamental goals of preserving and advancing universal service; ensuring the
6 availability of quality telecommunications services at just, reasonable, and affordable rates; and
7 promoting the deployment of advanced telecommunications and information services to all regions
8 of the nation, including rural and high-cost areas.³⁵ Accordingly, before designating a carrier as an
9 ETC, the Commission must make an affirmative determination that such designation is in the
10 public interest, regardless of whether the applicant seeks designation in an area served by a rural or
11 non-rural carrier.

12 36. Budget states that by designating it as a wireless ETC in Arizona, it will serve the
13 public interest and the needs of low-income customers in Arizona by increasing customer choice in
14 the areas it serves. The public interest benefits associated with Budget's wireless service include
15 larger local calling areas (as compared to traditional wireline carriers), the convenience and
16 personal security afforded by mobile telephone service, the opportunity for customers to receive a
17 high-value wireless plan and emergency services in accordance with FCC Rules. Additionally,
18 ETC status will promote universal service by allowing Budget to offer wireless service to many
19 low-income customers who may not be able to otherwise have service. Budget's Lifeline calling
20 plans are designed to provide service to Lifeline consumers who, due to credit or deposit
21 requirements, may not be able to obtain telephone service from more traditional wireline and
22 wireless service providers.

23 **F. DESIGNATED SERVICE AREA**

24 37. The Commission must establish a geographic area for the purpose of determining
25 universal service obligations and support mechanisms for each designated ETC. *See* 47 U.S.C. §
26 214(e)(2); 47 C.F.R. § 54.201(b). Budget requests that the Commission designate it as an ETC for

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28 ³⁵ In the Matter of Federal-State Joint Board on Universal Services, CC Docket No. 96-45, Order FCC 05-46 (¶40),
Adopted: February 25, 2005, Released: March 17, 2005.

1 the service area consisting of each of the rate centers served by CenturyLink as listed in
2 Attachment 1.

3 **G. REPORTING REQUIREMENT FOR PREPAID WIRELESS**
4 **DEACTIVATIONS**

5 38. Staff recommends that Budget be required to provide a quarterly report to the ACC,
6 to be filed in docket control as a Compliance item, summarizing the total number of customers
7 with periods of inactivity greater than 60 days, but did not cancel service with Budget, are no
8 longer qualified for Lifeline service or who voluntarily deactivate service during that quarter. The
9 purpose of this report is to monitor the number of deactivated customers so that Budget does not
10 continue to receive Lifeline reimbursement per handset for these customers every month from the
11 Universal Service Administrative Company ("USAC"). In compiling the data for these reports,
12 Budget must comply with 47 C.F.R. §54.405(e)(3), in which the FCC outlines the deenrollment
13 policy for non-usage and 47 C.F.R. §54.407(c), in which the FCC defines activities that constitute
14 usage. The quarterly report must also include the total number of Lifeline customers and, as
15 separate items, the number of customers who voluntarily relinquish their Budget provided Lifeline
16 service, the number of customers who do not annually recertify their eligibility for Lifeline
17 services and the number of customers deactivated for 60 days of inactivity.

18 **INTERVENOR**

19 **1. Arizona Local Exchange Carriers Association**

20 39. The Arizona Local Exchange Carriers Association is an association of telephone
21 companies and member-owned cooperatives providing local exchange telecommunications
22 services to customers in rural, high cost areas of Arizona. All of ALECA's members are "rural
23 telephone companies" as defined by the Communications Act of 1934, as amended (the "Act") 47
24 U.S.C. § 153(37). In its Motion to Intervene, ALECA states, "Each ALECA member, including its
25 Tribally-owned members, receives support from the Federal Universal Service Fund ("FUSF") in
26 the form of High Cost Support. Each member also provides discounted Lifeline telephone service
27 and receives compensation for the discounts from the FUSF." ALECA states it is concerned that
28 Budget's offering may unfairly duplicate the similar offerings of its member companies, cause the

1 FUSF requirements to grow to the point where its member companies' FUSF compensation is
2 endangered, and undermine public support for the FCC's universal service programs.

3 **2. Joint Stipulation**

4 40. On May 10, 2012, ALECA and Budget filed a Stipulation in the docket. In the
5 Stipulation, to address the potential concerns expressed by ALECA, Budget agreed not to provide
6 Lifeline or LinkUp service to eligible residents residing on Federally-recognized Tribal Lands in
7 Arizona until Budget obtained any and all necessary licenses or other forms of approval that might
8 be required by the Tribe and file a copy of such licenses or other form of approval with the
9 Commission in this docket and a copy to ALECA's undersigned counsel. In addition, Budget
10 agreed that its Lifeline enrollment application for Arizona will require an applicant to provide a
11 street address and include a provision that requires an applicant to self-certify under penalty of
12 perjury that they do not reside on Federally-recognized Tribal Lands.

13 **LINK UP**

14 41. In its application, Budget requested Link Up support. Federal Link Up Assistance
15 pays one-half (up to a maximum of \$30) of the initial installation fee for a traditional, wireline
16 telephone or activation fee for a wireless telephone for a primary residence. It also allows
17 participants to pay any remaining amount owed on a deferred schedule, interest-free.

18 42. In the Lifeline Reform Order, the FCC eliminated the Link Up program, effective
19 April 1, 2012, with the exception ETCs serving Tribal lands.³⁶ In its Amended Application,
20 Budget withdrew its request for Link Up support.³⁷ Given the FCC's elimination of the Link Up
21 program on non-tribal lands and Budget's withdrawal of its request for Link Up support, the Link
22 Up support issue is moot and no longer needs to be addressed by this Commission.

23 **STAFF ISSUE – FREE ACCESS TO CUSTOMER SERVICE**

24 43. Budget currently deducts minutes from a wireless Lifeline customer's account
25 whenever the customer calls customer service, whether the customer calls the toll free customer
26 service number or dials #611 from their handsets. Budget's current practice is to credit Lifeline

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28 ³⁶ See Lifeline Reform Order, ¶245 and footnote 652.

³⁷ Amended Application, Page 4.

1 customers' accounts within 30 days with the number of minutes deducted for calls to customer
2 service. Budget has indicated to Staff³⁸ that they are working with their underlying carrier to
3 devise a software solution such that customer minutes are not deducted whenever they call
4 customer service. They are anticipating this solution will be implemented by the end of the Third
5 Quarter, 2012.

6 44. To track Budget's progress with implementing a solution such that minutes are not
7 deducted whenever customers call customer service from their Budget handsets, Staff recommends
8 Budget be required to file notice in this docket advising the Commission that its software solution
9 has been deployed within 30 days after implementation.

10 **STAFF RECOMMENDATIONS**

11 45. In addition to the conditions set forth by the FCC, Staff recommends Budget's
12 Application for designation as an ETC be granted subject to the following conditions:

- 13 a. Budget shall file a tariff, in this docket, setting forth the rates, terms and conditions
14 for its Lifeline service within thirty (30) days of a Commission Order in this matter;
- 15 b. Budget shall notify the Commission of any future changes to its rates, terms and/or
16 conditions regarding its Lifeline offerings and file such changes in its tariff and
17 amend its tariff in compliance with A.R.S. § 40-367;
- 18 c. Budget shall implement its software solution such that minutes are not deducted
19 from customer accounts for calling customer service before it begins providing
20 service to qualifying low-income applicants in its ETC service area. Budget shall
21 file notice in this docket advising the Commission that its solution has been
22 implemented;
- 23 d. Budget shall make available Lifeline services to qualifying low-income applicants
24 in its ETC service area no later than ninety (90) days after a Commission decision
25 in this matter or after Budget has provided notice in this docket advising the
26 Commission that its solution has been implemented, whichever occurs later.
27 Budget shall concurrently notify the Commission, by making a filing in Docket
28 Control, in this docket, of the commencement date for such services;
- e. Budget shall apprise the Commission of any customer complaints that may arise
from its ETC service offerings by making a filing in Docket Control in this docket;
- f. Budget shall provide a regulatory contact to the Commission by making a filing in
Docket Control in this docket;

³⁸ Email from Budget to Staff on July 26, 2012.

- 1
- 2 g. In the event that Budget requests to relinquish its ETC status and no longer provide
- 3 Lifeline services, it must provide notice to both the Commission and its customers.
- 4 Such notice(s) shall be in accordance with A.A.C. R14-2-1107;
- 5
- 6 h. Budget shall submit in Docket Control an annual report by April 15th of each year,
- 7 beginning April 15, 2013, that contains its total number of Lifeline subscribers, total
- 8 amount of Federal USF support received and an affidavit stating that the Lifeline
- 9 discounts or the equivalent are equal to the amount of total Federal USF support per
- 10 line. The annual filing shall be submitted as a compliance item in this docket;
- 11
- 12 i. Budget shall submit in Docket Control, as a compliance item in this docket, a
- 13 quarterly report detailing the total number of Lifeline customers, the total number of
- 14 customers removed from the customer base due to 60-day inactivity, the number of
- 15 customers removed from the customer base due to annual verification and the total
- 16 number of customers who voluntarily relinquished Lifeline service. In compiling
- 17 the data for these reports, Budget must comply with 47 C.F.R. §54.405(e)(3), in
- 18 which the FCC outlines the deenrollment policy for non-usage and 47 C.F.R.
- 19 §54.407(c), in which the FCC defines activities that constitute usage. The quarterly
- 20 report should be submitted as a compliance item in this docket on the 15th of the
- 21 month following the end of each calendar quarter, beginning January 15, 2013, or
- 22 with the first complete quarter following the offering of prepaid Lifeline calling
- 23 plans, whichever is earlier;
- 24
- 25 j. In the event of a Transfer of Control that involves Budget, a new ETC petition shall
- 26 be filed with the Commission. This will ensure ETCs undergoing reorganization
- 27 remain financially viable and able to provide the supported services throughout the
- 28 designated service areas as originally approved by the Commission; and
- k. Budget shall not expand its Lifeline service beyond the designated service area specified in this application without acquiring ETC designation from the Commission to serve the additional area.
- l. Budget shall not provide Lifeline service to eligible residents residing on Federally-recognized Tribal Lands in Arizona until after Budget has obtained any and all necessary licenses or other forms of approval that might be required by the Tribe and filed a copy of such licenses or other form of approval with the Commission in this docket.

CONCLUSIONS OF LAW

1. Budget Prepay, Inc. is a telecommunications company as defined in A.R.S. § 40-201(46) and is a "telecommunications carrier" as defined in 47 U.S.C. § 153(51). Budget is also a reseller of Commercial Mobile Radio Service as defined in 47 U.S.C. § 20.3 and A.A.C. R14-2-1201(8).

1 2. The Commission has jurisdiction over the subject matter of the application.

2 3. Under 47 U.S.C. § 214(e)(1), a common carrier that is designated as an Eligible
3 Telecommunications Carrier must, throughout its census block areas, offer the services that are
4 supported by the Federal Universal Service Support mechanisms either by using its own facilities
5 or a combination of its own facilities and resale of another carrier's services. The carrier must also
6 advertise the availability of such services and the rates for the services using media of general
7 distribution.

8 4. Under 47 U.S.C. § 214(e)(2), the Commission must establish the geographic area
9 for the purposes of determining universal service obligations and support mechanisms. Budget's
10 application applies to the service area consisting of each of the rate centers served by CenturyLink
11 QC as listed in Attachment 1, excluding Federally-Recognized Tribal Lands located within the
12 state of Arizona.

13 5. Budget meets the requirements for ETC designation under 47 U.S.C. § 214 and
14 C.F.R. § 54.201 *et seq.*, subject to Budget's compliance with the conditions set forth in Finding of
15 Fact No. 45 herein.

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ORDER

IT IS THEREFORE ORDERED that the application of Budget Prepay, Inc. for designation as an Eligible Telecommunications Carrier pursuant to U.S.C. § 214(e)(1) for the purpose of receiving federal universal service support in Arizona, for the service area set forth in Attachment 1 attached hereto and incorporated herein by reference, be and hereby is approved, subject to Budget Prepay, Inc.'s compliance with the conditions set forth in Finding of Fact No. 45 above.

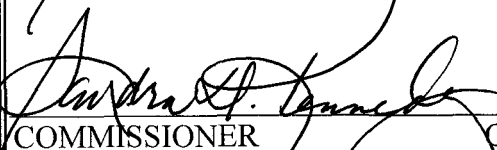
IT IS FURTHER ORDERED that if Budget Prepay, Inc. does not comply with the requirements of Finding of Fact No. 45, its designation as an ETC may be revoked after due process.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN

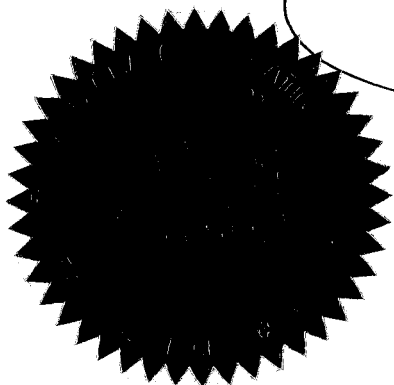

COMMISSIONER


COMMISSIONER

EXCUSED
COMM. NEWMAN

COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 12th day of December, 2012.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:LLM:sms\MAS

1 SERVICE LIST FOR: BUDGET PREPAY, INC. DBA BUDGET PHONE, INC.
2 DOCKET NO. T-04079A-11-0362

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5 Phoenix, Arizona 85004

6 Mr. Craig A. Marks
7 Craig A. Marks, PLC
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8 Phoenix, Arizona 85028

9 Mr. Steven M. Olea
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10 Arizona Corporation Commission
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12 Ms. Janice M. Alward
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ATTACHMENT 1

BUDGET PREPAY, INC. DESIGNATED SERVICE AREA			
Company	Wire center	Locality	Exchange
QWEST CORPORATION	AGFIAZSR	AGUA FRIA	PHOENIX METROPOLITAN
QWEST CORPORATION	ASFKAZMA	ASH FORK	FLAGSTAFF
QWEST CORPORATION	AZCYAZ03	ELOY	CASA GRANDE
QWEST CORPORATION	BCKYAZMA	BUCKEYE	PHOENIX METROPOLITAN
QWEST CORPORATION	BISBAZMA	BISBEE	BISBEE
QWEST CORPORATION	BLCNAZMA	BLACKCANYON	PHOENIX METROPOLITAN
QWEST CORPORATION	BNSNAZMA	BENSON	BENSON
QWEST CORPORATION	BNSNAZSD	BENSON	BENSON
QWEST CORPORATION	BRDSAZMA	AGUA FRIA	PHOENIX METROPOLITAN
QWEST CORPORATION	CHNDAZMA	CHANDLER	PHOENIX METROPOLITAN
QWEST CORPORATION	CHNDAZSO	CHANDLER	PHOENIX METROPOLITAN
QWEST CORPORATION	CHNDAZWE	CHANDLER	PHOENIX METROPOLITAN
QWEST CORPORATION	CHVYAZMA	CHINO VLY	PRESCOTT
QWEST CORPORATION	CLDGAZMA	COOLIDGE	CASA GRANDE
QWEST CORPORATION	CMVRAZMA	CAMP VERDE	SEDONA
QWEST CORPORATION	CMVRAZRR	CAMP VERDE	SEDONA
QWEST CORPORATION	CRCYAZNM	CIRCLECITY	PHOENIX METROPOLITAN
QWEST CORPORATION	CRNDAZMA	CORONADO	TUCSON-MCM
QWEST CORPORATION	CSGRAZMA	CASAGRANDE	CASA GRANDE
QWEST CORPORATION	CTWDAZMA	COTTONWOOD	SEDONA
QWEST CORPORATION	CTWDAZSO	COTTONWOOD	SEDONA
QWEST CORPORATION	CVCKAZMA	CAVE CREEK	PHOENIX METROPOLITAN
QWEST CORPORATION	DDVLAZNM	DUDLEYVL	HAYDEN
QWEST CORPORATION	DGLSAZMA	DOUGLAS	DOUGLAS
QWEST CORPORATION	DRVYAZNO	LITCHFLDPK	PHOENIX METROPOLITAN
QWEST CORPORATION	ELOYAZ01	ELOY	CASA GRANDE
QWEST CORPORATION	FLGSAZEA	FLAGSTAFF	FLAGSTAFF
QWEST CORPORATION	FLGSAZMA	FLAGSTAFF	FLAGSTAFF
QWEST CORPORATION	FLGSAZSO	FLAGSTAFF	FLAGSTAFF
QWEST CORPORATION	FLRNAZMA	FLORENCE	CASA GRANDE
QWEST CORPORATION	FTMDAZMA	FTMCDOWELL	PHOENIX METROPOLITAN
QWEST CORPORATION	FTMDAZNO	FTMCDOWELL	PHOENIX METROPOLITAN
QWEST CORPORATION	GDYRAZCW	LITCHFLDPK	PHOENIX METROPOLITAN
QWEST CORPORATION	GLBNAZMA	GILA BEND	GILA BEND
QWEST CORPORATION	GLDLAZMA	GLENDALE	PHOENIX METROPOLITAN
QWEST CORPORATION	GLOBAZMA	GLOBE	GLOBE
QWEST CORPORATION	GNVYAZMA	GREEN VLY	TUCSON-MCM
QWEST CORPORATION	GRCNAZMA	GRANDCANYON	GRAND CANYON
QWEST CORPORATION	HGLYAZMA	TEMPE	PHOENIX METROPOLITAN
QWEST CORPORATION	HGLYAZQC	HIGLEY	PHOENIX METROPOLITAN
QWEST CORPORATION	HMBLAZMA	HUMBOLDT	PRESCOTT
QWEST CORPORATION	HYDNAZMA	HAYDEN	HAYDEN
QWEST CORPORATION	JSCYAZMA	JOSEPHCITY	JOSEPH CITY
QWEST CORPORATION	KRNYAZMA	KEARNY	HAYDEN

Decision No. _____

BUDGET PREPAY, INC. DESIGNATED SERVICE AREA			
Company	Wire center	Locality	Exchange
QWEST CORPORATION	LTPKAZMA	LITCHFLDPK	PHOENIX METROPOLITAN
QWEST CORPORATION	MARNAZ02	MARANA	TUCSON-MCM
QWEST CORPORATION	MARNAZ03	TUCSON	TUCSON-MCM
QWEST CORPORATION	MARNAZMA	MARANA	TUCSON-MCM
QWEST CORPORATION	MESAAZGI	GILBERT	PHOENIX METROPOLITAN
QWEST CORPORATION	MESAAZMA	MESA	PHOENIX METROPOLITAN
QWEST CORPORATION	MIAMAZMA	MIAMI	GLOBE
QWEST CORPORATION	MMTHAZMA	MAMMOTH	SAN MANUEL
QWEST CORPORATION	MRCPAZMA	MARICOPA	CASA GRANDE
QWEST CORPORATION	MSPKAZMA	MUNDS PARK	FLAGSTAFF
QWEST CORPORATION	NGLSAZMA	NOGALES	NOGALES
QWEST CORPORATION	NGLSAZMW	NOGALES	NOGALES
QWEST CORPORATION	NWRVAZMA	NEW RIVER	PHOENIX METROPOLITAN
QWEST CORPORATION	ORCLAZMA	ORACLE	SAN MANUEL
QWEST CORPORATION	PAGEAZMA	PAGE	PAGE
QWEST CORPORATION	PHNXAZ81	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZBW	GLENDALE	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZCA	NO PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZEA	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZGR	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZLV	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZMA	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZMR	AGUA FRIA	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZMY	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZNE	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZNO	NO PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZNW	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZPP	CHANDLER	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZPR	PEORIA	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZSE	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZSO	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZSY	NO PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PHNXAZWE	PHOENIX	PHOENIX METROPOLITAN
QWEST CORPORATION	PIMAAZMA	PIMA	PIMA
QWEST CORPORATION	PINEAZMA	PINE	PAYSON
QWEST CORPORATION	PLMNAZMA	BISBEE	BISBEE
QWEST CORPORATION	PRSCAZEA	PRESCOTT	PRESCOTT
QWEST CORPORATION	PRSCAZMA	PRESCOTT	PRESCOTT
QWEST CORPORATION	PRVYAZPP	PARADISVLY	PHOENIX METROPOLITAN
QWEST CORPORATION	PTGNAZEL	ELGIN	NOGALES
QWEST CORPORATION	PTGNAZMA	PATAGONIA	NOGALES
QWEST CORPORATION	PYSNAZMA	PAYSON	PAYSON
QWEST CORPORATION	SCDLAZMA	SCOTTSDALE	PHOENIX METROPOLITAN
QWEST CORPORATION	SCDLAZSH	SCOTTSDALE	PHOENIX METROPOLITAN

Decision No. _____

BUDGET PREPAY, INC. DESIGNATED SERVICE AREA			
Company	Wire center	Locality	Exchange
QWEST CORPORATION	SCDLAZTH	SCOTTSDALE	PHOENIX METROPOLITAN
QWEST CORPORATION	SEDNAZMA	SEDONA	SEDONA
QWEST CORPORATION	SEDNAZSO	SEDONA	SEDONA
QWEST CORPORATION	SFFRAZMA	SAFFORD	SAFFORD
QWEST CORPORATION	SMTNAZMA	SOMERTON	SOMERTON
QWEST CORPORATION	SNMNAZMA	SAN MANUEL	SAN MANUEL
QWEST CORPORATION	SPRRAZMA	SUPERIOR	SUPERIOR
QWEST CORPORATION	SPRSAZEA	SPSTNAPHJC	PHOENIX METROPOLITAN
QWEST CORPORATION	SPRSAZMA	SPSTNAPHJC	PHOENIX METROPOLITAN
QWEST CORPORATION	SPRSAZWE	MESA	PHOENIX METROPOLITAN
QWEST CORPORATION	SRVSAZMA	SIERRAVIST	SIERRA VISTA
QWEST CORPORATION	SRVSAZNO	SIERRAVIST	SIERRA VISTA
QWEST CORPORATION	SRVSAZSO	SIERRAVIST	SIERRA VISTA
QWEST CORPORATION	STFDAZMA	STANFIELD	CASA GRANDE
QWEST CORPORATION	TCSNAZCA	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZCO	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZCR	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZEA	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZFW	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZMA	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZML	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZNO	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZRN	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZSE	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZSO	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZSW	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZTV	TUCSON	TUCSON-MCM
QWEST CORPORATION	TCSNAZWE	TUCSON	TUCSON-MCM
QWEST CORPORATION	TEMPAZMA	TEMPE	PHOENIX METROPOLITAN
QWEST CORPORATION	TEMPAZMC	TEMPE	PHOENIX METROPOLITAN
QWEST CORPORATION	TLSNAZMA	TOLLESON	PHOENIX METROPOLITAN
QWEST CORPORATION	TMBSAZMA	TOMBSTONE	TOMBSTONE
QWEST CORPORATION	TNCKAZMA	PAYSON	PAYSON
QWEST CORPORATION	TUBCAZMA	TUBAC	TUCSON-MCM
QWEST CORPORATION	VAILAZNO	VAIL	TUCSON-MCM
QWEST CORPORATION	VAILAZSO	VAIL	TUCSON-MCM
QWEST CORPORATION	WCBGAZMA	WICKENBURG	WICKENBURG
QWEST CORPORATION	WHTKAZMA	LITCHFLDPK	PHOENIX METROPOLITAN
QWEST CORPORATION	WHTLAZMA	WHITLOW	WHITLOW
QWEST CORPORATION	WLCXAZMA	WILLCOX	WILLCOX
QWEST CORPORATION	WLMSAZMA	WILLIAMS	FLAGSTAFF
QWEST CORPORATION	WLTNAZMA	WELLTON	YUMA
QWEST CORPORATION	WNBGAZ01	BUCKEYE	PHOENIX METROPOLITAN
QWEST CORPORATION	WNSLAZMA	WINSLOW	WINSLOW

Decision No. _____

BUDGET PREPAY, INC. DESIGNATED SERVICE AREA			
Company	Wire center	Locality	Exchange
QWEST CORPORATION	YRNLAZMA	YARNELL	WICKENBURG
QWEST CORPORATION	YUMAAZFT	YUMA	YUMA
QWEST CORPORATION	YUMAAZMA	YUMA	YUMA
QWEST CORPORATION	YUMAAZSE	YUMA	YUMA